

## Message Text

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PAGE 01 PORT O 02155 281548Z  
ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 EB-08 /019 W  
-----116476 290141Z /62  
R 281430Z JUL 77  
FM AMEMBASSY PORT OF SPAIN  
TO SECSTATE WASHDC 1021

C O N F I D E N T I A L PORT OF SPAIN 2155

FOR H; COMMERCE/MEPD

E.O. 11652: GDS  
TAGS: BENC, BEXP, ECRE, TD  
SUBJECT: FOREIGN GOVERNMENT TENDER: CARONI-ARENA WATER  
SUPPLY PROJECT

REF: (A) STATE 170720, (B) PORT OF SPAIN 1069  
(C) PORT OF SPAIN 2052, (D) PORT OF SPAIN 2118,  
(E) MAILGRAM TO H FROM CONGRESSMAN CHARLES W. WHALEN,  
JR., OF JULY 21 (COPY CABLED THIS EMBASSY)

1. FOLLOWING ARE OBJECTIVE CRITERIA ON WHICH DECISION TO  
AWARE BID TO PIPECON GROUP WAS BASED:

(A) WATER AND SEWERAGE AUTHORITY (WASA) IS CONVINCED  
THAT DUCTILE PIPE IS TECHNICALLY SUPERIOR AND EASIER TO  
MAINTAIN ONCE INSTALLED. THESE FACTORS ARE IMPORTANT  
BECAUSE SHORTAGE OF SKILLED LABOR MAKES MAINTENANCE  
PROBLEMATIC. THIS EVALUATION WAS CONFIRMED BY ALL THREE  
OF INDEPENDENT EXPERTS ASKED BY TENDERS BOARD TO REVIEW  
DOCUMENTATION. U.S. CONCRETE PIPE MANUFACTURERS CHALLENGE  
THIS, SAYING THAT DUCTILE PIPE IS NEW AND HAS NOT BEEN  
INSTALLED ANYWHERE LONG ENOUGH TO PROVE ITSELF, AND IN  
ANY CASE NOT SUFFICIENTLY SO TO WARRANT ADDITIONAL COST.

(B) DECISION TO EVALUATE TENDERS WITHOUT CUSTOMS  
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PAGE 02 PORT O 02155 281548Z

DUTY AS REPORTED REF (B) WAS RESCINDED ON APRIL 13  
(TWO WEEKS BEFORE CLOSING OF BIDS). ALL BIDDERS WERE  
INFORMED AND ASKED TO INCLUDE SIGNED FORM ACCEPTING  
REVISIONS AS PART OF BID DOCUMENTS. AS A RESULT, 30  
PERCENT DUTY ON PRESTRESSED CONCRETE VERSUS 10 PERCENT  
ON DUCTILE ERASED MUCH OF COST DIFFERENTIAL ENJOYED  
BY CONCRETE. CHAIRMAN OF TENDERS BOARD SAID THAT WHEN

WASA AGREED TO PAY DUTY, IT HAD ASKED FOR SPECIAL AUTHORITY TO EQUALIZE DUTY AT 10 PERCENT, BUT THIS WAS NOT GRANTED BY CABINET; HENCE REVERSION TO ORIGINAL COST BASIS, INCLUDING DUTY, WHICH IS LEGALLY PRESCRIBED CRITERIA.

(C) HARBERT CONSTRUCTION CO. OF U.S. WAS LOW BIDDER ON DUCTILE WITHOUT DUTY, BUT WAS HIGHER THAN PIPECON WITH DUTY. REASON MAY BE THAT DUTY IS CHARGED CIF AND FREIGHT AND INSURANCE COSTS ARE EVIDENTLY HIGHER FROM U.S. THAN FROM EUROPE. CALCULATION OF DUTY WAS MADE BY BIDDER, NOT GOTT OR WASA.

(D) BIDDERS WERE ALLOWED TO MEET EITHER AWA OR ISO (EUROPEAN) STANDARDS IN MEETING SPECIFICATIONS. IT IS BELIEVED THAT HIGHER U.S. STANDARDS WERE PARTLY RESPONSIBLE FOR HIGHER COST OF U.S. BIDS USING DUCTILE. HARBERT ENCLOSED A LETTER STATING IT WOULD RECALCULATE BID BASED ON ISO STANDARDS WITH ITS BID, BUT TENDERS BOARD RULED THIS IS ILLEGAL BID AS IT WOULD IN EFFECT BE PERMITTING ONE FIRM TO QUOTE PRICES AFTER BIDS HAD BEEN CLOSED.

2. IN EVALUATING THESE RATHER COMPLICATED BIDS, WASA AND TENDERS BOARD HAS TO MAKE SEVERAL KEY DECISIONS WHICH ULTIMATELY RESULTED IN AWARDING OF BID TO PIPECON. EACH  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PORT O 02155 281548Z

DECISION CAN BE DEFENDED ON OBJECTIVE GROUNDS, BUT WE SUSPECT IN MOST IF NOT ALL CASES THE OPPOSITION WOULD ALSO HAVE BEEN DEFENDED, ESPECIALLY IN CHOICE OF PIPE MATERIAL. WE CAN FIND NO EVIDENCE OF IMPROPRIETY, BUT BIDDERS ARE THEMSELVES CONVINCED THAT THEY WERE NOT FAIRLY TREATED IN THE PROCESS. THEY POINT OUT THAT WASA (ALLEGEDLY ONE ENGINEER IN PRACTICE) ACTED CONTRARY TO RECOMMENDATION OF ITS TECHNICAL CONSULTANTS ON THIS CONTRACT, AND THAT FIRST TIME THE CARONI-ARENA PROJECT WAS TENDERED, CONCRETE WAS ACTUALLY SPECIFIED.

3. WE HAVE DISCUSSED PROBLEM WITH CH2M, WHICH EMPHASIZES THEIR ROLE IS TO ADVISE WASA, NOT TO MAKE THE DECISION, WHICH IS PREROGATIVE OF GOTT. THEY SAY THEY COULD NOT CONTINUE TO WORK HERE IF THERE WERE THE SLIGHTEST HINT OF IRREGULARITIES AS THEY ARE NOT ACCUSTOMED TO WORKING ON THIS BASIS. PARTICIPATION OF LOCAL FIRM WITH PIPECON WAS APPARENTLY NOT DETERMINING FACTOR.

4. TENDERS BOARD IS PREPARING STUDY OF THE AWARDING OF THIS CONTRACT, AND IN VIEW OF CONTROVERSY SURROUNDING IT, MAY ISSUE IT AS A WHITE PAPER.

5. WE EMPHASIZED TO TENDERS BOARD NEED FOR FAIRNESS ON THE TENDERING PROCESS IF AMERICAN FIRMS ARE TO CONTINUE TO BID ON THE GOVERNMENT'S MAJOR PROJECTS, AND THAT GOTT HAS EXPRESSED ITS DESIRE FOR PARTICIPATION OBY U.S. FIRMS IN ITS INDUSTRIAL DEVELOPMENT PROGRAM. WE WILL CONTINUE TO STRESS THIS POINT HERE WHEN OCCASION ARISES.

6. THIS INCIDENT HAS ALREADY INFLUENCED SOME U.S. FIRMS NOT TO SUBMIT BIDS ON NORTH OROPOUCHE PROJECT, FOR WHICH BIDS CLOSE ON JULY 28, AND GOVERNMENT IS AWARE OF IT.

7. WE REGRET THAT FIRMS DID NOT APPRISE US OF THE DIFFICULTIES EARLIER; BY THE TIME WE WERE INFORMED TENDERD  
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PAGE 04 PORT O 02155 281548Z

BOARD HAD MADE ITS DECISION AND OUR ABILITY TO INFLUENCE OUTCOME AT THIS STAGE IS MINIMAL.

8. H MAY WISH TO INFORM CONGRESSMAN WHALEN OF ABOVE AS APPROPRIATE.  
FOX

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** WATER SUPPLY SYSTEM, PROPOSALS (BID), WATER PIPELINES  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Review Release Event:** n/a  
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**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** FOREIGN GOVERNMENT TENDER: CARONI-ARENA WATER SUPPLY PROJECT  
**TAGS:** BENC, BEXP, ECRE, EINV, TD, CARONI-ARENA WATER SUPPLY PROJECT  
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**Review Markings:**  
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